

14 JAN 1960

13 January 1960

TO: Assistant Director for Research and Reports
FROM: Chief, Economic Research Area
SUBJECT: Activity Report for the Month of December 1959

Support Activities

Intra-Agency Support

1. During December the principal articles prepared by ERA in support of OCI concerned the Soviet agricultural plenum, Soviet agricultural output in 1959, Khrushchev's latest electric power speech, the economic situation in Bulgaria, Poland and East Germany, the decline in Soviet school enrollment, the North Korean program for 1960, and Bloc activities in Ethiopia, Yemen, Latin America and in the world rubber market. In early December, the OCI Biweekly Survey of Communist Activities was suspended.
2. Chief, D/I, briefed the DCI on NIE 11-8-59, "Soviet Capabilities for Strategic Attack through Mid-1964," which by the end of December was successfully completed. Chief, ERA, Chief, D/I, and Chief, D/A, briefed members of USIB on general economic developments in the USSR, particularly with respect to the military expenditures implication of NIE 11-4-59, "Main Trends in Soviet Capabilities and Policies, 1959-64."
3. Premier Khrushchev's Budapest statement on missiles of 1 December led to a request for I/GM comment and support for an OCI publication. I/GM also assisted Chief, D/I, in preparing a brief comment for the DCI on an earlier Khrushchev statement on missile expenditures.
4. I/GM provided extensive support, including the loan of branch graphics, to OSI in the preparation of a forthcoming briefing for the DCI on new developments in the surface-to-air missile field. The briefing will be the first of a series of OSI briefings intended to apprise the Director of new developments in technical fields. Chief, I/GM, has been invited to attend the briefing and answer questions on the economic, production, and deployment aspects should any arise.
5. I/GM prepared initial drafts of the production and deployment sections of a paper, dealing with the history of Soviet development of long-range ballistic missiles, to be submitted by the DCI to the President in mid-January. GMD/OSI is the action unit in the Agency for this paper,

and close coordination is being maintained with OSI on the subsequent drafts.

25X1X7 6. At the request of SR, DD/P, Mr. [REDACTED] 25X1A9a I/GM, briefed the Chief of [REDACTED] on current problems of collecting information on the Soviet guided missile program. Also, the Deployment Section, I/GM, briefed 8 members of the Reports Branch of DD/P/EE on the role, within CIA, of ORR in the field of guided missile deployment. The meeting was arranged after learning that this group was unaware of ORR's interest in and responsibility for this type of information.

7. M/CH provided special support to the DD/P in the form of background information and requirements relating to the Bloc position with regard to boron compounds, which are potentially important as components of missile propellants.

8. M/FM and M/NF prepared a bibliography of open Soviet sources of information on ferrous and alloying materials for the DCI.

Extra-Agency Support

9. USIB Watch Committee support continued at a relatively low level with the food situation in the northern Satellites and arms traffic the chief items of continuing interest.

10. S/TD provided support and advice to the Port Security Committee in connection with the entries of the Polish ship, Jantar, the Soviet ships, Jana and Svetlogorsk, and the British ship, London Prestige. Also considered was the proposed visit of the U.S. cruiser Northampton to Gdynia with its possible implication of Polish requests for reciprocity.

25X1A9a 11. Mr. [REDACTED] I/EE, was recalled to Paris in connection with the 1959 COCOM review of the International List of strategic trade items.

12. M/FM provided intelligence support to the U.S. Delegate to COCOM regarding cobalt and vacuum furnaces.

25X1A9a 13. S/TD and I/PE also continued to provide intelligence support to EDAC for the COCOM List Review. Mr. [REDACTED] I/PE, devoted considerable time to supporting the CIA position that Bloc countries are producing COCOM item 1016, grinding heads and spindle assemblies, a position which the Office of the Secretary of Defense has challenged. At the end of the month, the CIA fact sheet remained unchanged; however, OSD continued to maintain that CIA had not proved actual production of these items. An order has been placed [REDACTED]

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14. M/FM provided [REDACTED] with background information on iron and steel facilities and practices in the USSR and the Eusats. [REDACTED] is undertaking an eight months study of the comparative efficiency of the steel industries in the West, the USSR and the Eusats. Basing his work at Geneva, he expects to visit several of these countries to supplement information obtained on two previous trips.

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15. Chief, A/U, [REDACTED] A/U, provided information on the Soviet Budget and Plans to Mr. [REDACTED]

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16. To support the [REDACTED] in connection with its work for the [REDACTED] as well as for other projects, I/ME prepared and transmitted to [REDACTED] extensive material on ruble ratios, military expenditures, Soviet Air Force personnel pay, and the formulation and execution of policy for Soviet weapons.

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17. M/FM supported AFCIC Missile Branch with intelligence on alloying materials in the Sino-Soviet Bloc.

18. M/FM provided unclassified estimates of the production of aluminum in Communist China and the Eusats for the Department of State.

19. M/FP provided support to State regarding trade in petroleum between the Bloc and the Free World in 1959 and to the Air Force regarding petroleum pipelines in the USSR.

20. D/M, at the request of OCDM, will provide an observer to the Interagency Committee to Develop Programs to Retard Western Europe's Dependence on Middle East Oil. CIA has been asked to provide information regarding the Bloc's ability to influence the supply of petroleum to Western Europe.

Speeches, Lectures, and Briefings

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21. [REDACTED] A/U, presented a lecture on Soviet Finance for the Office of Training.

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22. [REDACTED] D/M, briefed staff members of OCB on the subject of World Energy Problems.

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25X1X7 24. Chief, A/PC, and 25X1A9a A/PC, briefed 25X1C8c
[redacted] on Soviet population and labor force data. [redacted]
visited the Bureau of the Census Foreign Manpower Office and was briefed
by that staff.

25X1X7 25. Members of M/FM, and M/NF, held discussions with representatives
of [redacted] on the USSR reserves, production and supply of nickel, cobalt,
tungsten, gold, copper, tin, and diamonds.

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Research Planning, Program Development and Special Projects

33. Chief, A/F, was designated ORR member of a new DD/I Committee
examining the relationship of research on Sino-Soviet relations to the
overall DD/I research program.

34. In connection with Project 36.2376, "The Impact of Guided Missile Requirements on the Electronics Industry of the USSR," Mr. I/EE, visited the Air Force Ballistic Missile Division (BMD) in Inglewood, California to obtain cost information on U.S. ballistic missiles. Aggregate program data were obtained on the Thor and Titan missiles. In addition, requirements personnel in the Office of the Chief of Naval Operations were consulted on the costs of operational missile systems used by the Navy. 25X1A9a

25X1A9a 35. Mr. I/EE, travelled to ATIC, Dayton, Ohio, to confer with personnel of AFCIN-4 on Soviet electronic data processing equipment and communications facilities in the Soviet Air Defense System. Information received was for use in NIE 11-3-59, "Sino-Soviet Bloc Air Defense Capabilities."

36. I/GM, at the request of the Chairman, GMAIC, prepared draft terms of reference for a proposed GMAIC Subcommittee on Guided Missile Production. The GMAIC is considering recommending to USIB the establishment of several formal subcommittees, one of which would deal with production. As of mid-December, the CIA and NSA members and the Chairman, GMAIC, favored the formation of subcommittees on Technical, Collection, Production and Astronautics intelligence; the other members either objected (Navy, Joint Staff and State), or reserved judgment (USAF, Army) pending examination of draft terms of reference for the proposed subcommittees. Despite the varied positions, all GMAIC members agree that it has become virtually impossible for them to keep informed on the wide range of topics now regularly considered at GMAIC meetings, and reported on to the USIB.

Changes in Estimates

37. A number of significant changes in the projected course and mix of Soviet military procurement have been incorporated in I/ME's recent contribution to NIE 11-4-59 vis-a-vis 11-4-58. In the aggregate, the value of Soviet procurement is now estimated to have been lower in the recent past and is projected as appreciably smaller rates of growth. Thus, instead of doubling over the period 1958-63, it is estimated that the increase will be on the order of 55-60 percent. The most striking change in the mix is the drastic downward revision with regard to aircraft throughout the period. From being the dominant element of procurement for most of the period, it is now but a relatively small part. Expenditures for guided missiles have become the dominant element (although at lower levels than in last year's estimate) and are responsible for most of the growth projected for the period.

Commendations 25X1A9a

38. The DD/I and the AD/NE have commended the outstanding contribution made by [REDACTED] and those who worked with him in the preparation of NIS 11-8-59. According to AD/NE, the "performance --- proves the indispensability of the integral research capability which we have in his division of ORR."

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39. [REDACTED] M/AG, has received a commendation from the Deputy Commandant of the Industrial College of the Armed Forces for his effective participation in a seminar on the communist world's agricultural resources.

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40. [REDACTED] I/EE, has received a commendation from the Director, Office of Security Trade Controls, USRO for his contribution to the recent COCOM List Review in Paris.

Miscellaneous

41. A donation of \$73 was made as a result of the area program sponsored by Mrs. [REDACTED] I/GM, to collect contributions for CARE in lieu of Christmas card exchange among office colleagues.

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Distribution:

- 1 - OAD/RR
- 1 - ea Division, Branch
and Staff Chief
- 1 - St/I
- 1 - OCh/G
- 1 - St/I
- 1 - OCh/E
- 2 - St/PR

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St/PR/RR: [REDACTED] :blw/4017 (13 Jan 60)